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Letter of Comment No: 2725
File Reference: 1102-100

From: Jim Johnson [jim.d.johnson@seagate.com]
Sent: Wednesday, May 26, 2004 8:36 PM
To: Director - FASB
Subject: Share-Based Payment Exposure Draft

Jim Johnson
120 SWEET PEA LANE
Ben Lomond, CA 95005

May 26, 2004

Ms. Suzanne Bielstein
Financial Accounting Standards Board
401 Merrit 7
Norwalk, CT 06856-5116

Dear Ms. Bielstein:

Re: Share-Based Payment Exposure Draft

I work for a company that allows employees to purchase my employer's stock at a discount through an Employee Stock Purchase Plan (ESPP). I understand that the Financial Accounting Standards Board (FASB) has proposed a change to accounting standards that would require my company to count this discount as an expense against its earnings (Share-Based Payment exposure draft). I respectfully request that you reconsider this proposal and not require expensing of the discount allowed in ESPPs.

I am concerned that required expensing of the discount in the ESPP may make this valuable benefit plan less attractive to my employer, potentially causing my employer to either discontinue the plan, or reduce or eliminate the current discount. If the discount is greatly reduced or eliminated, buying company stock through the ESPP would no longer be much of a benefit. Unlike benefits aimed only at high-paid executives, this is a valuable benefit for employees across the company.

The ESPP is a very important benefit to me. Being able to participate in an ESPP has enabled me to invest in my financial future and experience a sense of ownership in my company. This benefit helped attract me to and serves as an incentive for me to remain with my employer. I could even say I continuously strive to perform to the best of my ability because I am an owner of the company.

The FASB has taken the position that employees who purchase their company's shares at a discount have an unfair advantage over other non-employee investors. Investors invest only their money in my company. I'm investing not only my money, but also my life. Surely the investment of a major portion of my time and energy entitle me to something more than the investor on the street.

I would also question the premise that a large institutional investor such as a mutual fund should have the same rights and privileges as I do as an employee. These funds are a different class of investor than I am as an individual. For example, I own shares in several Fidelity funds through my 401-k plan. The money I have invested there is pre-tax. The money I invest in my ESPP is after tax. I've already gotten a benefit on my 401-k investment that will probably more than offset the (potential) 15% discount on my ESPP investment. To "level the playing field" and provide the mutual fund with a 15% discount would be nice, but that in my mind would be "double dipping". To take my 15% discount away because the large

mutual funds can't "double dip" or don't have the same discount as me borders on being illogical.

Millions of workers like me in companies across the country are able to purchase their employer's stock through ESPPs. This builds company loyalty and helps to promote high standards of work when employees have a sense of ownership.

I strongly urge FASB to consider the negative impact the proposed rule would have on the nearly 16 million workers like me and eliminate the expensing requirement for ESPP discounts in the final rule.

CC:
SEC, Chairman, William Donaldson
SEC, Chief Accountant, Donald Nicolaisen
Employee Ownership Coalition (eoc@vennstrategies.com)

Sincerely,

Jim D. Johnson